

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 AID-20 CIAE-00 EB-11 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02

LAB-06 SIL-01 OMB-01 SS-20 NSC-10 STR-08 L-03 PRS-01

IO-14 DRC-01 /148 W

----- 073991

R 111004Z JAN 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 0706

INFO AMCONSUL HONG KONG

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

USDOC

UNCLAS SAIGON 00494

E.O. 11652: N/A

TAGS: EFIN, VS, JA

SUBJ: JAPANESE INVESTMENT INSURANCE PROGRAM EXTENDED TO VIETNAM

REF: SAIGON 20489

SUMMARY: AS RESULT OF DECEMBER 21 MITI DECISION, JAPANESE INVESTMENT INSURANCE PROGRAM BECAME EFFECTIVE FOR INVESTMENT LIMITED IN VIETNAM STARTING JANUARY 1. COVERAGE WILL BE LIMITED TO PROJECTS OF LESS THAN \$2 MILLION IN AREAS WHERE SECURITY DOES NOT POSE PROBLEM. END SUMMARY

1. ACCORDING TO JAPANESE COMMERCIAL ATTACHE, NISHIMURA, MITI DECIDED DECEMBER 21 TO EXTEND INVESTMENT INSURANCE PROGRAM TO COVER PROJECTS IN VIETNAM STARTING JANUARY 1. ELIGIBLE PROJECTS WILL BE LIMITED TO THOSE TO BE LOCATED IN AREAS WHERE SECURITY PRESENTS NO PROBLEM, WHICH JAPANESE EMBASSY INTERPRETS TO MEAN MAJOR URBAN AREAS SUCH AS SAIGON/BIEN HOA, CAN THO, NHA TRANG, DANANG, CAM RANH, AND VUNG TAU. IN ADDITION, PROJECTS MUST BE OF THOSE TYPES

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CONSIDERED BY GVN TO FALL WITHIN PRIORITY SECTORS AS DETERMINED

BY THE GVN INVESTMENT BOARD. SPECIFICALLY, GOJ WILL GIVE PRIORITY TO PROJECTS WHICH INCREASE GVN EXPORTS, CONSUME LOCAL RAW MATERIALS, PRODUCE DAILY NECESSITIES SUCH AS FOODSTUFFS, OR HAVE IMPORT SUBSTITUTION EFFECT. INSURANCE WILL BE MADE AVAILABLE FOR PROJECTS CAPITALIZED AT \$2 MILLION OR LESS, ALTHOUGH NISHIMURA ADDED THAT THIS DECISION WAS MADE ONLY "IN PRINCIPLE" AND THAT EXCEPTIONS MIGHT BE CONSIDERED. HE WAS DOUBTFUL THAT EXCEPTION WOULD BE MADE FOR MITSUBISHI HOTEL PROJECT, HOWEVER. AS REPORTED REFTEL, INSURANCE WILL COVER DAMAGES CAUSED BY WAR, LOSS DUE TO NATIONALIZATION, AND INCONVERTIBILITY.

2. AS IN PREVIOUS CONVERSATION ON THIS SUBJECT (REFTEL), NISHIMURA DISCOURAGED IDEA THAT AVAILABILITY OF INVESTMENT INSURANCE WOULD PROMPT JAPANESE INVESTORS TO RUSH INTO VIETNAM. HE CONTINUED TO FEEL THAT JAPANESE FIRMS WOULD CONFINE THEMSELVES TO SMALL-SCALE PROJECTS.
MARTIN

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